

EFFECT OF THE EUROPEAN WAR

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was to consist of the Bank of England's current charge on the 7th August. The Proclamation was expressly stated to be inapplicable to salaries and wages; to rates and taxes; to maritime charges for freight; to dividends and interest upon stocks and funds in which trustees were permitted to invest; to bank notes and Old Age Pensions; and to certain other payments which need not be enumerated. This new Proclamation was necessary in connection with the currency system since it was essential to prevent any signs of financial distrust, which the calling-in of loans, at present incompetent of discharge (owing to the closing of the Stock Exchange) would have precipitated. Thus bills and cheques on presentation to the banks would be dealt with in the usual mode, subject to discretion in exceptional instances. The design was to render the Moratorium real, and obviate any extensive withdrawals of gold with the intention to "hoard." The perplexities of houses of business were thus attempted to be surmounted where obligations could not be satisfied by reason of the inability of foreign customers to remit the necessary funds in settlement of accepted bills.

*August
7th.*

The new Currency Notes were partially in readiness for circulation. Thus by this provident measure the serious danger, in a period of critical need, of limiting the circulation of coin by the withdrawal of sovereigns and half-sovereigns from the banks by private persons with the object of hoarding gold at home or in hidden places, was largely averted. It may be noted that this process of restricting the circulation exercises the detrimental effect of depriving banks of their supply of cash and compelling them to resort to the Bank of England in depletion of our national resources of gold. Almost up to the close of the seventeenth century, tradesmen and merchants on retiring from active business lived literally upon their savings stored in boxes in secret spots; and particularly in periods of social unrest. This peculiarity was mainly the result, as I have stated, of imperfect

organisation in civic protection and the virtual absence of any sound and general system of banking. It may be added, in illustration,